



# Department of Justice

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## **FORMER DIRECTOR OF OPERATIONS AT ODYSSEY HOUSE CHARGED WITH BID RIGGING, CONSPIRACY AND INCOME TAX EVASION**

### **Two Vendors Also Separately Charged**

WASHINGTON, D.C.-- The Department of Justice today charged the former director of operations at Odyssey House Inc., a Manhattan substance abuse treatment organization, with bid rigging, conspiracy to defraud, and income tax evasion, in connection with a conspiracy to embezzle approximately \$2.34 million from the organization over an eight-year period.

Aaron Lugo of Bardonia, New York was charged with three felony counts in U.S. District Court in Manhattan. The first count charges Lugo with conspiring with several outside vendors to rig bids and allocate contracts awarded by Odyssey House for the supply of food, meat, health and beauty supplies, baby supplies, office supplies, printed materials, janitorial supplies, and medical supplies from 1990 until at least April 1998. According to the charge, Lugo steered nearly \$10 million in contracts to those vendors, neglecting Odyssey House's competitive bidding requirement.

The second count charges Lugo with taking kickbacks totaling at least \$364,000 in cash or goods and services from vendors to ensure that Lugo allocated to them a portion of the total value of contracts awarded. In addition, Lugo and seven unidentified vendors embezzled at least \$2.342 million from Odyssey House by issuing false and fraudulent purchase orders to each of the seven vendors, who in turn issued corresponding invoices for goods and services that were never delivered or provided.

The third count charges Lugo with failing to pay income taxes on the embezzled money and the kickbacks he received.

On September 9, 1999, the Department also charged Martin Cohen and Leslie Schneiderman, co-owners of Leonard Martin Office Products Inc. with rigging bids to Odyssey House and two other not-for-profit social service organizations, and with conspiring to defraud the Internal Revenue Service.

(More)

Odyssey House is a not-for-profit substance abuse treatment organization that provides residential treatment to a population of about 600 patients. It receives a significant amount of its financing from federal, state, and city governments. As a condition of that funding, the New York State Office of Alcoholism and Substance Abuse Services requires that Odyssey House receive at least three competitive bids before purchasing most items.

"Lugo's crimes deprived Odyssey House of money it otherwise could have dedicated to its mission of providing critical services to needy and vulnerable people," said Joel I. Klein, Assistant Attorney General for the Antitrust Division. "This scheme not only victimized Odyssey House and the federal, state, and local governments that provide much of its funding, but it also deprived honest suppliers of the chance to compete for contracts awarded by Odyssey House."

The prosecutions of Lugo, Cohen, and Schneiderman are the latest to arise out of ongoing federal investigations of bid rigging, commercial bribery, and tax-related offenses in the point-of-purchase advertising and display, and food broker industries.

To date, 22 individuals and nine corporations have already been convicted of various federal charges. Earlier prosecutions have involved personnel at Philip Morris Inc. (Manhattan, NY), Heublein Inc. (Farmington, CT), Hiram Walker & Sons Inc. (Southfield, MI), Warner-Lambert Co. (Morris Plains, NJ), Austin Nichols & Co. Inc. (Manhattan, NY), Lorillard Tobacco Co. Inc. (Greensboro, NC), and Domecq Importers Inc. (Old Greenwich, CT).

The investigations are being conducted by the Antitrust Division's New York Field Office, with the assistance of the Federal Bureau of Investigation and the Internal Revenue Service Criminal Investigation Division.

The maximum penalty for an individual convicted of conspiracy is a term of imprisonment up to five years, three years of supervised release, and a fine the greatest of \$250,000, twice the gross pecuniary gain derived from the offense, or twice the gross pecuniary loss caused to the victims of the crime.

The maximum penalty for an individual convicted of bid rigging is three years in prison, one year of supervised release, and a fine the greatest of \$350,000, twice the gross pecuniary gain derived from the offense, or twice the gross pecuniary loss caused to the victims of the crime.

The maximum penalty for an individual convicted of income tax evasion is five years in prison, three years of supervised release, and a fine the greatest of \$250,000, twice the gross pecuniary gain derived from the offense, or twice the gross pecuniary loss caused to the victims of the crime, together with the costs of prosecution.

Anyone with information concerning bid rigging, commercial bribery, or fraud in the advertising and display materials industry should contact the New York Division of the FBI at (212) 384-1000.

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